Location decisions of Chinese firms in the global tourism industry: The role of prior international experience and diplomatic relations

Abstract

As latecomers to the global tourism industry, Chinese multinational enterprises (MNEs) encounter difficulties to engage in outward foreign direct investments relying only on their firm-specific assets. As a result, they usually resort to external resources, combining them with the generic capabilities they possess. One source of these alternative resources derives from the existence of good diplomatic relations between China and other countries. Friendly bilateral relationships may provide Chinese firms with useful institutional support to compensate for their latecomer disadvantages when establishing in foreign destinations. Drawing on the composition-based view and the international political economy perspective, this study argues that the combination of firm's prior international experience and good diplomatic relations between countries is positively associated with location decisions of Chinese tourism MNEs. The findings indicate that high-level government official visits and strategic partnerships contribute to that compositional effect.

Keywords Chinese tourism MNEs, location, international experience, diplomatic relations.

INTRODUCTION

Location choice of outward foreign direct investments (OFDIs) is a key strategic decision of multinational enterprises (MNEs). This research topic has received extensive scholarly attention, as shown by several recent literature reviews (Donnelly & Manolova, 2020; Jain, Kothari, & Kumar, 2016; Kim & Aguilera, 2016; Nielsen, Asmussen, & Weatherall, 2017).

MNEs tend to choose foreign locations that suit their firm-specific resources and capabilities (Li, Zhang, & Shi, 2020). Among them, prior general international experience, especially, previous OFDIs in different host countries, allows the company to accumulate useful knowledge in order to overcome the so-called liability of foreignness in subsequent new market

entries (Nielsen et al., 2017). As a result, OFDI location choices may be observed as a process built on the organizational learning derived from past internationalization efforts (Beugelsdijk, Kostova, Kunst, Spadafora, & van Essen, 2018).

As late-movers, emerging-market MNEs (EMNEs) are addressing the challenges of international expansion differently in comparison with early entrants from developed economies (Li & Fleury, 2020). Consequently, how the distinctive characteristics of EMNEs affect their location decisions, thus challenging the tenets of traditional theories, still needs further research (Kim & Aguilera, 2016). Furthermore, some previous literature reviews suggest that industry-specific factors also matter in determining MNEs' location decision abroad (Jain et al., 2016). However, location decisions of service firms have received less research attention than those of manufacturing firms (Nielsen et al., 2017).

Nowadays, tourism is undoubtedly one of the key activities among service industries. Moreover, international expansion in the tourism industry is not only driven by traditional European and American firms that are consolidating their global positions, but also by newcomers from emerging economies such as China (Santos, Brochado, & Esperança, 2016). Official data from the National Bureau of Statistics of China show that, by the end of 2018, the net China's OFDI stock under the "Hotels and catering services" category amounted to US$ 4.4 billion. However, it is difficult to calculate the actual China's OFDI stock in tourism-related industries, since many projects may have been included in other categories like "Culture, sports, and entertainment".

Beyond these figures, Chinese tourism companies are becoming key global players, now controlling leading Western firms in various tourism fields. Among them, Jin Jiang International stands out, as it took over Radisson Hotel Group (US) and Louvre Hotels (France) and is the largest shareholder of Accor (France). According to Hotels 325 ranking, published annually by Hotels Magazine, Jin Jiang International is already the second-biggest hotel chain

in the world, with more than 10,000 hotels in 120 countries. There are other outstanding examples: Fosun holds a majority stake in the vacation village company Club Med (France) and has recently relaunched the collapsed British tour operator Thomas Cook as an online travel company; Trip.com Group (formerly Ctrip) is the owner of Skyscanner and Travelfusion (two UK travel metasearch engines); and HNA Group, which acquired Swissport (a Switzerland-based handling company), Avolon (an aircraft leasing firm in Ireland), and Frankfurt-Hahn (German airport), among others.

Despite this, only a few past studies analyzed OFDI location choice in the tourism industry (García-Muiña, Romero-Martínez, & Kabbara, 2020; Kundu & Contractor, 1999; Romero-Martínez, García-Muiña, Chidlow, & Larimo, 2019). Specifically, those addressing that decision in the case of Chinese tourism MNEs are still very scarce (Deng, Hu, & Yang, 2019; Li, Huang, & Song, 2017).

In addition, there is a lack of research studies that, by integrating several disciplines, address the interplay between firm-specific resources (like international experience) and other factors that may contribute to mitigate the liability of foreignness when choosing a foreign location (Nielsen et al., 2017). This is particularly relevant for EMNEs, given that they face more difficulties to go global relying only on their own resources and capabilities. As a consequence, they usually have to resort to external resources. Among them, those arising from the existence of good diplomatic relations between home and host governments proved to be noteworthy in the case of Chinese MNEs (Quer, Rienda, Andreu, & Miao, 2019).

In recent years, diplomatic activities are boosting Chinese outbound tourist flows, which in turn encourage OFDI by Chinese firms in those destinations. Friendly diplomatic relations are leading some countries to change visa policies, thus facilitating the entry of Chinese tourists (Ctrip & China Tourism Academy, 2018). Moreover, official visits to foreign countries by Chinese President Xi Jinping contribute to promote those destinations among Chinese tourists

as a matter of national policy (ChinTell, 2018). International cooperation between Chinese and foreign institutions is also becoming increasingly important. The World Tourism Cities Federation (WTCF), an international association formed in 2012 by renowned tourist cities from more than 60 countries, is headquartered in Beijing. Besides, 2018 was the European Union-China Tourism Year, an agreement between the European Commission and China's Government that aimed to boost bilateral relations in areas such as promotion of lesser-known destinations in Europe and China, streamlining of visa procedures, development of air connections, and improvement of travelers' experience.

Hence, drawing upon the composition-based view (CBV) and the international political economy (IPE) perspective, this study addresses how Chinese tourism MNEs take advantage of the existence of good diplomatic relations between countries to leverage their firm-specific resources. More precisely, it seeks to answer the following research question, related to different signs of good bilateral diplomatic relations: Do high-level visits by the Chinese government, the existence of a strategic partnership between China and the host country, and entering a country included in the Belt and Road Initiative (BRI) have a positive moderating effect on the relationship between prior international experience and location choice?

This study makes several contributions. First, from a theoretical standpoint, it adds to the literature on EMNEs' location choice by integrating insights from the CBV and the IPE perspective. By doing so, it contributes to filling the aforementioned shortage of research studies that analyze, integrating different theoretical backgrounds, the interaction between firm-specific resources and contextual factors when choosing a foreign location. Furthermore, by focusing on the role played by friendly diplomatic relations, it also addresses an overlooked research topic, namely, the influence of regional and supranational institutional factors on foreign location decisions (Donnelly & Manolova, 2020). Second, from an empirical viewpoint, this study provides new evidence on location choice by Chinese MNEs in the tourism industry,

where they are increasingly becoming key global players. As indicated above, research efforts analyzing location decisions of EMNEs in service industries are still scant in comparison with those in manufacturing industries.

The remainder of the article is organized as follows. The next section provides the theoretical background for hypothesis development. After that, the methodology of the empirical analysis is described. Then, a discussion of the main results is offered. Finally, several concluding remarks and future research suggestions are provided.

THEORETICAL BACKGROUND AND HYPOTHESES

CBV and international expansion of EMNEs

The CBV is a theoretical framework that provides an alternative explanation for the expansion of firms that growth without the benefits of their own resources and capabilities alone. The CBV posits that firms with ordinary resources and capabilities can obtain superior results by means of composing internal and external resources (Luo & Child, 2015). According to this theory, the available resources, considered individually, do not provide ordinary firms with a competitive advantage. Instead, it is the creative combination of those resources what generates competitive advantages (Luo, 2020).

This theoretical framework applies to EMNEs as newcomers to international markets. They usually lack strategic assets such as an internationally recognized brand and the ability to negotiate with stakeholders in foreign countries. Consequently, they use to resort to external resources that they combine with their own generic resources. By adopting a composition-based strategy, EMNEs may compensate for their weaknesses and simultaneously capitalize on their strengths to survive in global competition (Luo & Bu, 2018). This kind of resource integration into an interdependent whole generates a distinctive growth development path in EMNEs (Luo & Child, 2015). Hence, EMNEs with prior international experience would promote their current

composition, and this, in turn, could improve their abilities to deal with new international activities in the future (Luo & Bu, 2018).

The CBV fits well with the idiosyncrasies of Chinese companies, since it is associated with some traditional roots of China's culture. The Chinese philosophical concept of harmony—or embracing and balancing elements on opposite sides—may be considered part of the logic that underlies the so-called compositional capability of the firm (Zhou, Li, Zhou, & Prashantham, 2020).

Compositional collaboration is a key construct of the composition-based international strategy of EMNEs. It refers to how EMNEs cooperate or partner with different types of external organizations abroad, like distributors, suppliers, competitors, home country peer firms, ethnic immigrant companies, and governments (Luo & Bu, 2018). Host country governments represent a key element of such networks, in order to mitigate the uncertainty and reduce the risks associated with entering a foreign market (Zhou, Wu, & Luo, 2007). The role played by governments suggests also considering insights from the IPE perspective.

IPE perspective and international expansion of EMNEs

The IPE perspective, also known as the global political economy perspective, analyzes the inherent connection among economics, politics, and international relations (Spero, 1977). It addresses the interactions between cross-border economic and political issues, suggesting that nation states cooperate when they share common interests (Keohane, 1984; O'Brien & Williams, 2016). Intestate relations contribute to improve intergovernmental communications, also mitigating the risks involved in international transactions (Jandhyala & Weiner, 2014). The IPE perspective deals not only with multi-state cooperation, but it also takes into account the strategic interactions among state and nonstate actors (Frieden & Martin, 2003).

The IPE perspective has been used for analyzing the impact of governmental support and intestate relations on the success of Chinese MNEs' international activities (Han, Liu, Xia,

& Gao, 2018). Past research reports that the support from the government plays an outstanding role in the international expansion of Chinese MNEs, influencing their OFDI decisions and location choice (Fu, Buckley, & Fu, 2020). Home government support may lead Chinese MNEs to be less risk-averse when carrying out OFDIs (Lu, Liu, Wright, & Filatotchev, 2014). Furthermore, networks established between business and political actors can shape Chinese MNEs' behavior when making location decisions (Li, Meyer, Zhang, & Ding, 2018).

As pointed out before, amicable diplomatic relations with China may be beneficial for host economies. Apart from boosting Chinese tourism flows, the subsequent Chinese OFDIs may contribute to job creation and tourist infrastructures' improvement in emerging destinations (Daye, Charman, Wang, & Suzhikova, 2020). All these potential benefits may be more easily achieved in countries that maintain a tradition of partnerships and agreements with China, such as those of ASEAN. Though, these friendly bilateral diplomatic relations sometimes create potential risks for some countries that can cause them to lose Chinese OFDIs when they face political conflicts with a third country arising from such relations. To avoid these tensions, some European countries are reluctant to be active players in initiatives led by the Chinese government like the BRI. Instead, they advocate a participation in specific projects.

This leads us to consider EMNEs' strategic decisions as deeply embedded in the surrounding context of their social and institutional connections (Deng, Delios, & Peng, 2020; Glückler, & Doreian, 2016). Accordingly, they may be perceived as actors that proactively build and rebuild institutional resources across borders (Abdelnour, Hasselbladh, & Kallinikos, 2017). These interactions between firms and governments compose a sort of network in which the diplomatic service of the home government acts as a critical mode or "referral point" (Li et al., 2018).

Prior international experience, diplomatic relations, and location choice

Extant research suggests that prior firm's international experience is a determining factor of foreign location choice (Jain et al., 2016). Experiential learning helps firms to generate coping mechanisms like establishing political networks to obtain useful information that allow them to control the policy environment in host countries, thus affecting how managers evaluate location attractiveness in future OFDIs (Buckley, Chen, Clegg, & Voss, 2020).

Hence, as MNEs enter more foreign countries, the associated international experience contributes to bridge the knowledge gap in foreign operations (Petersen, Pedersen, & Lyles, 2008). In this sense, the breadth and heterogeneity of prior international experience may have a stronger effect on subsequent OFDI location decisions than experience derived from a specific host country (Buckley et al., 2020). Indeed, past research reports that the value of prior MNE's experience in a region as a predictor of subsequent entries in that region decreases as the MNE accumulates more general international experience (Arregle, Miller, Hitt, & Beamish, 2018).

Though, as stated earlier, EMNEs do not tend to go global relying only on their firm-specific resources such as their prior international experience. Instead, they usually have to combine them with other external resources in order to obtain competitive advantages. One of them refers to gain leverage from the existence of good diplomatic relations between the governments of home and host countries.

Past studies found that friendly diplomatic relations between China and the host country encourage Chinese OFDI (Quer et al., 2019; Zhang, Jiang, & Zhou, 2014). State visits represent a traditional tool of international diplomacy. High-level government visits to a host country may provide MNEs from the visiting country with some advantages like signaling a potential institutional support to those investing in the focal host country (Voss, Buckley, Chen, & Clegg, 2017). Thus, these visits act as a kind of risk-reduction device to mitigate expropriation hazards (Duanmu, 2014), and enhance legitimacy of the foreign MNE in that destination (Li et al., 2018).

Accordingly, high-level visits may have a positive moderating effect on the relationship between the past international experience of the firm and its decision to locate in a specific country. This allows us to propose:

Hypothesis 1. A recent high-level visit by the Chinese government to the host country positively moderates the effect of prior international experience on the location decisions of Chinese tourism MNEs.

OFDI decision-making may be also facilitated by the macro rules created by intergovernmental bargaining (Ramamurti, 2001). Governments may act as allies of EMNEs either providing them with a direct support or an indirect one, by establishing strategic partnerships between countries that contribute to pave the way of the institutional environment of cross-border activities (Han et al., 2018; Hoskisson, Wright, Filatotchev, & Peng, 2013).

These partnerships may further increase the potential resources derived from institutional support, thus reducing the perceived risks in the host country, which would attract more OFDIs originating in the home country (Wang & Liu, 2020). Consequently, supranational agreements between the home and the host country have proven to be determining factors in the location of OFDIs (Albino-Pimentel, Dussauge, & Shaver, 2018). Hence, following a reasoning like that of the previous hypothesis, it can be proposed:

Hypothesis 2. The existence of a strategic partnership between China and the host country positively moderates the effect of prior international experience on the location decisions of Chinese tourism MNEs.

The fact that the host country is included in the BRI is another sign of friendly diplomatic relations between China and that country. The BRI is an ambitious plan launched by the Chinese government in 2013, whose aim is to create an overarching platform for inter-country cooperation at economic, financial, political, and cultural levels (Li, Liu, & Qian, 2019). Both MNEs and governments must deal with the new opportunities and challenges induced by

the BRI. As a large-scale multilateral initiative, with more than 130 countries involved so far, the BRI is causing significant changes in the global environment that require international business research to no longer take the global institutional framework as given when analyzing firms' decision-making (Buckley, 2020).

The BRI may boost large OFDI projects in the host country that contribute to its economic development in the long term (Wang & Liu, 2020). With political cooperation and coordination as one of its core elements, the BRI can mitigate the political risk and uncertainty faced by Chinese MNEs in BRI host countries, providing them with a stronger political support than that of conventional bilateral partnerships (Shao, 2020). Empirical evidence suggests that BRI policy facilitates China's OFDI to host countries characterized by institutional fragility (Sutherland, Anderson, Bailey, & Alon, 2020). As a result, the BRI can be viewed as a new context between country and global levels, namely, as a second home-context where Chinese MNEs can exploit their prior international experience together with the political support derived from the BRI (Wang, Yan, Yang, Ciabuschi, & Wei, 2020). As for the tourism industry, it involves representative projects that may contribute to a deeper cooperation between firms and governments along the BRI (Daye et al., 2020). Indeed, over recent years, BRI countries are turning into attractive destinations for Chinese tourism OFDI (Deng et al., 2019). In light of the above, the following hypothesis is proposed:

Hypothesis 3. A host country belonging to the BRI positively moderates the effect of prior international experience on the location decisions of Chinese tourism MNEs.

Figure 1 illustrates the whole conceptual model derived from the hypotheses.

Insert Figure 1 about here

DATA AND METHOD

Sample

The empirical analysis relies on a sample of 70 OFDI location choices made by 35 Chinese tourism MNEs in 24 countries from September 2013 to December 2018. Since this study analyzes the influence of establishing in a BRI country, the time frame began in September 2013, when the Chinese government officially introduced the BRI for the first time. The main data sources used to build the sample were the China Global Investment Tracker (a database of China's OFDI developed by the Heritage Foundation and the American Enterprise Institute) as well as several portals reporting tourism-related news, including *hotelmanagement.net*, *hotel-online.com*, *hospitalitynet.org*, *hotelnewsnow.com, chinatravelnews.com* and *mingtiandi.com.* Table 1 reports a description of the sample.

Insert Table 1 about here

The specific aim is to address the decision of location or non-location of a Chinese tourism MNE in a host country in a given year. Therefore, the initial dataset had 1,680 potential observations, namely, 70 location choices x 24 host countries. Nonetheless, some observations were removed: multiple entries by a firm in the same host country in a given year, as well as non-location decisions by those firms with entries in more than one country during a single year. As a result, the final sample includes 1,296 observations.

Dependent variable

Location choice. This is a binary variable taking the value one if firm *i* carried out an OFDI in country *j* during year *t*, and zero otherwise (Buckley et al., 2020; Li et al., 2018; Li et al., 2020; Lu et al., 2014).

Explanatory variable

Prior international experience. The number of years since the first OFDI carried out by the firm until the time of the focal OFDI was used as a measure of its past international experience (Buckley et al., 2020).

Moderating variables

High-level government visit. This is a dummy variable, coded as one if the Chinese President made an official visit to the host country in the same year of the focal OFDI or in the previous two years, and as zero otherwise (Quer et al., 2019; Voss et al., 2017). Data on Chinese President official visits were collected from the website of the Ministry of Foreign Affairs of the People's Republic of China (PRC).

Strategic partnership. This variable takes the value of one if China and the host country signed a strategic partnership agreement that was in force before the focal OFDI, and zero otherwise (Strüver, 2017). Data on this variable were also collected from the Ministry of Foreign Affairs of the PRC.

BRI host country. Using data from the Belt and Road Portal (the official website of the Chinese government on the BRI), this variable was coded as one if the host country had signed a cooperation agreement in the BRI before the focal OFDI, and as zero otherwise (Sutherland et al., 2020; Yu, Qian, & Liu, 2019).

Control variables

Based on prior research, a number of factors that may influence the location of OFDI in the tourism industry were also included as control variables.

Chinese tourists. The international expansion of tourism companies may be driven by a follow-the-customer or market-seeking motivation. Past research found that a higher number of tourists from a home country in a tourist destination led to a higher number of OFDIs by firms from that home country in that destination (Santos et al., 2016). Prior studies on Chinese

tourism reached similar results (Li, Huang, & Song, 2017; Song, Shi, Chen, Nijkamp, & Li, 2020). Accordingly, the number of Chinese tourist arrivals to each host country was considered as a control variable, with one-year lag and a log transformation (Deng et al., 2019). Data were obtained from the Ministry of Culture and Tourism of the PRC, the Yearbook of Tourism Statistics from the World Tourism Organization, as well as other tourism institutions of selected host countries.

Destination competitiveness. Strategic asset-seeking is another potential driver of China's OFDI. In order to overcome their disadvantages as newcomers, some Chinese firms look for superior knowledge and other intangible resources in developed countries (Luo & Tung, 2007). This learning objective is also a motivation for Chinese tourism firms to go global (Li, Huang, & Song, 2017). To control for this factor, the tourism competitiveness of each host country was used, using the Travel & Tourism (T&T) Competitiveness Index of the World Economic Forum (Kayar & Kozak, 2010; Webster & Ivanov, 2014). This biennial index measures a series of factors and policies that contribute to the tourism competitiveness of a country (World Economic Forum, 2019). In the empirical analysis, each host country was assigned with its score in the last available ranking of the T&T Competitiveness Index before each investment.

Institutional distance. MNEs' location choice may be influenced by institutional distance, namely, the differences between countries in terms of regulative and normative features of the institutional framework (Gaur & Lu, 2007). The costs of doing business in a specific location increase with institutional distance as foreign firms may perceive a lack of familiarity with local conditions (Zhang & Xu, 2017). Consequently, past research reported that location choice of China's tourism OFDI was negatively associated with institutional differences (Deng et al., 2019). Institutional distance was measured using the six Worldwide

Governance Indicators of the World Bank, applying the Kogut and Singh's (1988) methodology (Deng et al., 2019; Ren & Yang, 2020; Zhang & Xu, 2017).

Cultural distance. Informal institutional differences derived from culture may raise obstacles for doing business abroad (García-Muiña et al., 2020; Romero-Martínez et al., 2019). However, prior research did not report conclusive findings, with some studies finding no relationship and even a positive association between cultural distance and location choice (Beugelsdijk et al., 2018). Furthermore, as stated above, some EMNEs seek strategic assets in developed countries, despite being culturally distant. Cultural distance was proxied using the Kogut and Singh's (1988) index, based on the six cultural dimensions of Hofstede, Hofstede and Minkov (2010) (Bi & Lehto, 2018; Li et al., 2020; Ren & Yang, 2020).

Chinese migrants. When establishing in foreign locations, EMNEs may benefit from the existence of migrant communities from their home country, who can facilitate the interpretation of host country's idiosyncrasies in order to gain local legitimacy (Deng et al., 2020; Karreman, Burger, & van Oort, 2017). As a result, past studies found a positive relationship between the size of the Chinese community in a host country and China's OFDI (Blomkvist, & Drogendijk, 2016; Karreman et al., 2017). This effect was also reported when analyzing Chinese tourism OFDI (Song et al., 2020). Hence, the percent of Chinese migrants over total population in each host country was included as a control variable, using figures from the United Nations Population Division (Quer et al., 2019; Song et al., 2020).

Visa requirements. Difficulties to get an entry visa have been one of the traditional constraints of Chinese outbound tourism, affecting the selection of long-haul destinations by Chinese tourists (Li, McCabe, & Chen, 2017; Zhou, King, & Turner, 1998). However, several countries are simplifying visa application procedures, in some cases even allowing Chinese visitors to enter without a visa (Xie, & Li, 2009). Moreover, the relaxation of visa policies represents another sign of good diplomatic relations between countries. In fact, the streamlining

of visa requirements is one of the measures used by BRI countries to promote tourist exchange with China and the subsequent China's investments in the tourism industry (Deng et al., 2019). Accordingly, this factor was included as a control variable, which takes the value of one if the host country has lower visa requirements for Chinese visitors (facilitating visa on arrival, eVisa or even not requiring a visa), and zero if a traditional visa is required. Data on visa policies were obtained from the Travel Information Manual of IATA, the International Air Transport Association (Artal, Pallardó, & Requena, 2016).

Firm size. Generally, larger firms possess more resources to carry out OFDIs (Lu et al., 2014). Therefore, they are in a better position to absorb the risks and costs of doing business abroad (Pangarkar & Yuan, 2009). Superior resource endowment allows them to manage the complexity of dispersed international operations (Li et al., 2020). Nonetheless, empirical results regarding the influence of firm size on Chinese MNEs' location choice are mixed, with Pangarkar and Yuan (2009) and Li et al. (2020) finding a positive effect, whereas Lu et al. (2014) reporting a not significant influence. The number of employees, with a log transformation, was used to control for firm size in this study (Alon, Jiménez, Liu, & Wang, 2020).

State ownership. The support and protection provided by the home government can make it easier for state-owned enterprises (SOEs) to enter host environments that their privately-owned counterparts consider too risky (Cuervo-Cazurra, Inkpen, Musacchio, & Ramaswamy, 2014). Hence, state ownership may be a source of distinctive capabilities to cope with the perceived distance when choosing a foreign location (Li et al., 2020). Prior research found that state ownership was positively associated with the location of Chinese MNEs in developed versus developing countries (Pangarkar & Yuan, 2009) and in host countries with a higher political risk (Quer, Claver, & Rienda, 2018). Therefore, another control variable was

included, taking the value one if the Chinese investor was an SOE, and zero if it was a privately-owned enterprise (Alon et al., 2020; Buckley et al., 2020; Li et al., 2020).

Home region development. The level of development of the home region may also affect the international behavior of Chinese MNEs. Developed Chinese regions are more institutionally open and they usually have streamlined OFDI approval procedures that boost the internationalization process of firms based in these territories (Liu, Lu, & Chizema, 2014; Sun, Peng, Lee, & Tan, 2015; Voss, Buckley, & Cross, 2010). Furthermore, prior research supports that Chinese firms headquartered in more developed Chinese regions tend to locate their OFDIs in advanced host countries (Wu & Chen, 2014). The level of home region development was proxied in this study by the log of GDP per capita, using data from the National Bureau of Statistics of China (Quer et al., 2018; Wang & Liu, 2020).

Publicly traded. Public firms can more easily finance their OFDIs due to an easier access to capital markets (Malhotra, Lin, & Farrell, 2016). Moreover, agency problems have a greater influence on publicly traded firms than on private ones. For that reason, managers of public firms are more prone to tolerate risks in foreign locations, since cross-border acquisitions may help them satisfy their own objectives of diversifying employment risk and gaining prestige (Malhotra & Gaur, 2014). Consequently, this study also added a control variable coded as one if the Chinese firm was publicly traded, and as zero otherwise.

Vicarious experience. MNEs can benefit from the OFDI experience of other firms in the same destination. This is the so-called vicarious experience that may reduce the perceived barriers of a dissimilar host environment (Jiang, Holburn, & Beamish, 2014). Prior research reports that the higher the number of companies from a given home country located in a particular host country, the more likely this destination will be chosen by other MNEs from that home country (Nielsen et al., 2017). The number of prior OFDIs by other Chinese firms in the

focal host country, with a log transformation, was used to control for vicarious experience (Lu et al., 2014).

Industry dummies. To account for industry-specific effects, several dummy variables were also included, depicting the main activity of each investing firm: accommodation, travel agencies, transport, leisure/entertainment, and various tourism industries. The latter, which represents diversified companies, was the benchmark for the analysis.

Year dummies. Lastly, year dummies were added to control for time-varying effects. This deserves attention because of the new rules issued by the Chinese government in 2017 to rationalize OFDI. They established some restrictions to OFDI in tourism-related activities such as hospitality, entertainment, and real state (Latham & Watkins, 2017).

Data analysis process

Before testing the hypotheses, multicollinearity analyses were performed using SPSS software. All variance inflation factors (VIFs) were below 10 (Kutner, Nachtsheim, Neter, & Li, 2005), and no condition index above 30 represented a variance proportion of 0.90 or above for two or more coefficients (Hair, Anderson, Tatham, & Black, 1998). As a result, serious multicollinearity problems were ruled out. Table 2 reports descriptive statistics, bivariate correlations, and VIFs.

Insert Table 2 about here

Hypotheses were tested using mixed logistic regressions in order to allow heterogeneous responses to a location feature, thus enabling host country attributes to vary by company (Buckley et al., 2020). This estimation strategy assumes that coefficients may vary for each chooser, namely, that firm-specific characteristics matter (Li et al., 2020). In doing so, OFDIs made by the same firm are not considered independent observations (Belderbos, Du, & Slangen, 2020).

RESULTS

Table 3 reports the results of statistical analyses. Model 1 acts as the baseline model, only with control variables. Model 2 introduces the direct effect of the explanatory and moderating variables. Models 3, 4 and 5 add each interaction individually, while Model 6 includes all interactions simultaneously.

Insert Table 3 about here

The interaction term between prior international experience and high-level government visit is positive and significant both in Model 3 ($\beta = 0.419$, $p = 0.022$) and Model 6 ($\beta = 0.347$, $p = 0.054$). This provides strong support to Hypothesis 1. A similar result is obtained regarding the interaction between prior international experience and strategic partnership in Model 4 ($\beta = 0.861$, $p = 0.050$) and Model 6 ($\beta = 0.702$, $p = 0.092$). Therefore, Hypothesis 2 is also supported. Conversely, the moderating effect of BRI country does not turn out to be statistically significant in Models 5 and 6, hence failing to support Hypothesis 3.

In order to facilitate the interpretation of these findings, the two significant interaction effects were plotted. Drawing on Models 3 and 4, Figure 2 and Figure 3 show the likelihood of choosing a particular location when the explanatory variable and the two moderators move from low values (one standard deviation below their means) to high values (one standard deviation above their means), and the remaining variables are kept at their mean levels. Both graphs show that the effect of prior international experience is only positive for high levels of the two moderators.

Insert Figure 2 about here

Insert Figure 3 about here

In addition, five control variables turned out to be statistically significant in most models. Destination competitiveness is the host country-specific factor that attracts Chinese tourism MNEs, thus suggesting that they are mainly driven by a strategic asset-seeking motivation. As

for firm-specific characteristics, the results show that state ownership and being based in a more developed Chinese region are negatively associated with location choice. Although it would require additional analyses, these findings suggest an escape motivation for those firms with a lower support at home. Nonetheless, being a publicly traded company seems to positively affect OFDI decisions. Finally, past entries of other Chinese firms have a positive influence on location decisions as evidenced by the effect of vicarious experience in all models.

Robustness checks

To assess whether the findings were robust, a number of supplementary analyses were performed. First, by using alternative proxies of prior international experience, namely, the log of 1 plus the number of previous OFDIs of each firm (Buckley et al., 2020) and a dummy variable that measures whether the firm had prior OFDIs or not (Buckley, Elia, & Kafouros, 2014). Second, by replicating the analyses considering the three alternative proxies of prior international experience and high-level government visits in the focal year or in the immediately preceding year only (Quer et al., 2019). Table 4 reports the results of these robustness checks, which were consistent with what was observed in the original analyses.

Insert Table 4 about here

DISCUSSION

By bridging the CBV with the IPE perspective, this study addressed how EMNEs leverage their prior international experience by means of benefiting from the existence of good diplomatic relationships between home and host countries. In doing so, it goes beyond examining the direct effect of firm-specific resources on OFDI location choice by highlighting their interplay with the governmental support provided by friendly interstate relationships (Zhou et al., 2007). Good diplomatic relations may provide EMNEs with an institutional support that can compensate for their inherent latecomer disadvantages when establishing abroad. Thus, diplomacy may serve

as a useful tool to mitigate the uncertainty and associated risks of a specific destination (Jandhyala & Weiner, 2014).

The analysis of a sample of Chinese tourism MNEs reveals that firm's prior international experience as an individual resource is not enough to explain their location patterns. Instead, it is the combination of that past international experience with the benefits derived from amicable diplomatic relationships what determines OFDI location choice. Therefore, firm- and government-specific resources form a kind of compositional collaboration that shapes the international behavior of Chinese tourism MNEs. More precisely, the results show that high-level official visits by the Chinese government to the host country, and strategic partnerships between both countries contribute to this compositional effect, by positively moderating the effect of firm's prior international experience on location choice. This result is in line with previous studies reporting that diplomacy plays an outstanding role in shaping location decisions of Chinese MNEs (Li et al., 2018; Quer et al., 2019; Voss et al., 2017; Wang & Liu, 2020; Zhang et al., 2014).

As for the hypothesized positive moderating effect of the other sign of good diplomatic relationships addressed in this study, namely, the role played by the BRI, the findings do not provide empirical support. Hence, entering a host country that signed a cooperation agreement with China under the BRI umbrella does not positively moderates the effect of prior international experience on the location decisions of Chinese tourism MNEs. This indicates that the BRI does not contribute to the above-mentioned compositional effect.

The novelty of the BRI as well as the character of the BRI-related projects may justify this lack of empirical support. The BRI is a relatively recent plan of a multi-industrial nature, where the development of transport and energy infrastructures holds a prominent position since its inception. Undoubtedly, this may act as a catalyst for tourism growth because of the benefits from regional integration, but the original BRI motivation was not directly aimed to develop

the tourism industry (Daye et al., 2020; Koh & Kwok, 2017). For these reasons, the truly impact of the BRI on attracting tourists and tourism OFDIs may still need more time to crystallize.

Contributions

This study provides a number of contributions, as well as implications for management and policymaking. First, from a theoretical viewpoint, it contributes to the literature on EMNEs' location choice by juxtaposing the CBV with insights from the IPE perspective. As latecomers, EMNEs, instead of relying solely on their generic firm-specific resources, generally combine them with resources provided by external agents. This study reveals that diplomacy is a potential source of these external resources, as it helps EMNEs to overcome their latecomer disadvantages and leverage their prior international experience when establishing in a new foreign destination.

By means of this integration of the CBV and the IPE perspective, this study also responds to the claim of more research efforts aimed to analyze the influence of firm-specific resources and contextual factors on foreign location, using complementary theoretical backgrounds (Nielsen et al., 2017). In addition, by investigating the role played by interstate diplomacy, it also contributes to analyze the influence of supranational institutional factors, going beyond the most common approach of focusing on the institutional support from a single government (Donnelly & Manolova, 2020).

Second, this study provides new empirical evidence on the factors that shape the decision-making process of Chinese MNEs in an industry like tourism, where they have acquired leading Western firms over recent years, thus increasingly becoming key global players. As pointed out before, the analysis of location choice by Chinese MNEs in service industries is under-explored in comparison with that of their manufacturing counterparts (Deng et al., 2019; Li, Huang, & Song, 2017).

Furthermore, there are also some practical implications for managers and policymakers. Regarding managerial implications, the study highlights the importance of a combination between resources that are firm-specific and those arising from interstate diplomacy to explain how EMNEs choose locations abroad. This supports the view that EMNEs do not make OFDI decisions based exclusively on their firm-specific assets. This can help EMNEs' managers to properly define their decision-making processes. As for policy implications, the study offers empirical evidence on some diplomacy tools that have a stronger influence on the choice of OFDI locations by Chinese tourism MNEs. This may shed light on how policymakers could contribute to promote OFDI flows to specific tourist destinations, which can be beneficial in terms of consolidation and development of their local tourism industries, promoting job creation and potential improvements of tourist infrastructures.

Limitations and future research

The present research effort is not without limitations. First, it is based on secondary data sources, thus not considering managerial perceptions on the relative role played by firm-specific assets and diplomacy when making OFDI location decisions. Future research using primary data could better discern the relative importance assigned by managers to both types of resources when choosing a particular destination abroad.

Second, the time period covered by the sample dates back to September 2013, when the BRI officially took off. Future studies could benefit from a broader time frame. Hence, covering more years might help to investigate if the BRI finally becomes a more determinant factor of OFDI flows in the tourism industry, and it plays a positive moderating role similar to other signs of amicable diplomatic relationships.

Third, the empirical analysis only considered OFDIs, namely, equity entry modes including cross-border acquisitions, greenfield investments, and joint ventures. Further research is needed in order to ascertain whether or not the moderating effects of diplomacy also apply

in the case of non-equity entry modes that are also frequent in the tourism industry, like franchise, lease, and management contracts.

Moreover, we only addressed high-level government visits by the Chinese President. Although these state visits undoubtedly have the greatest impact, visits by other high-ranking members of the Chinese government such as the Premier and the Ministers of Culture and Tourism, Foreign Affairs, Commerce, etc., may also play a significant role. Future studies can overcome this limitation by analyzing the influence of official visits by other members of China's government.

Finally, further research efforts should be made to investigate the consequences of the COVID-19 pandemic for China's tourism OFDIs and diplomatic activities. In the short term, it is expected that uncertainty and volatility may discourage Chinese MNEs from carrying out OFDIs and even they may plan some disinvestments, as is the case of HNA intentions to cede control of Swissport. Once international tourist flows are normalized, it could be analyzed if Chinese MNEs return to previous levels of investment or they opt for non-equity entry modes, if their location patterns are reshaped, and if government official visits are conducted in the same way. Anyway, cooperation between governments will be essential to reactivate the tourism industry. With this, the activity of tourism MNEs will be able to provide a faster recovery of the most affected tourist destinations.

CONCLUSION

As newcomers, EMNEs face more difficulties when going global in comparison with incumbent competitors from developed economies. Therefore, they must address the challenges of international expansion in a different way. This study highlights that a composition of internal and external resources provides an explanation for their location decisions abroad. In the case of Chinese MNEs in the tourism industry, the findings reveal that prior international

experience is not a determining factor of location choice by its own. Instead, it is the combination of this prior international experience and the institutional support provided by diplomacy what may shape OFDI location decision-making. Among diplomacy tools, high-level government visits and strategic partnerships between countries seem to play an outstanding role in that compositional effect.

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Table 1 Sample description

		Number
Firm type (industry)		
Accommodation		20
Transport		5
Leisure/entertainment		5
Travel agencies		1
Various tourism industries		4
Firm size (employees)		
Up to 1,000		10
1,000-10,000		9
10,000-50,000		8
Over 50,000		8
	Total firms (full sample)	35
Date of establishment		
2013		7
2014		12
2015		18
2016		17
2017		13
2018		3
Location		
USA		20
France		9
Australia		7
Switzerland, UK		4
Spain		3
Brazil, Canada, India, Malaysia, South Korea		2
Antigua and Barbuda, Ecuador, Germany, Greece, Ireland, Japan, Luxembourg, Maldives, Netherlands, Portugal, Singapore, South Africa, UAE		1
	Total OFDIs (full sample)	70

Table 2 Descriptive statistics and correlations

Variables	Mean	SD	VIF	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Location choice	0.05	0.22	N.A.	1															
2. Prior international experience	0.78	1.20	1.87	0.073	1														
3. High-level government visit	0.41	0.49	1.32	0.107	0.011	1													
4. Strategic partnership	0.77	0.42	1.68	0.077	0.045	0.294	1												
5. BRI host country	0.09	0.28	1.34	-0.024	0.087	0.105	0.062	1											
6. Chinese tourists	5.42	0.89	2.98	0.114	0.041	0.188	0.250	0.055	1										
7. Destination competitiveness	4.75	0.53	5.63	0.117	-0.054	-0.047	0.233	-0.266	0.542	1									
8. Institutional distance	2.88	1.71	4.58	0.058	0.000	-0.082	-0.031	-0.322	0.264	0.733	1								
9. Cultural distance	2.42	1.04	2.63	0.115	0.000	-0.080	0.187	-0.189	-0.311	0.199	0.349	1							
10. Chinese migrants	0.78	1.66	1.96	-0.007	0.000	0.009	0.010	-0.087	0.325	0.223	0.274	-0.277	1						
11. Visa requirements	0.29	0.46	2.78	-0.082	0.000	0.078	-0.247	0.235	-0.212	-0.591	-0.542	-0.481	0.271	1					
12. Firm size	3.74	1.22	1.99	0.050	0.275	0.040	0.024	0.021	0.016	-0.026	0.000	0.000	0.000	0.000	1				
13. State ownership	0.26	0.44	1.82	-0.029	0.180	-0.011	0.003	0.011	0.005	-0.021	0.000	0.000	0.000	0.000	0.363	1			
14. Home region development	4.04	0.16	1.60	-0.081	-0.120	0.051	0.042	0.047	0.032	-0.042	0.000	0.000	0.000	0.000	0.135	0.309	1		
15. Publicly traded	0.50	0.50	2.74	0.048	0.279	0.014	0.015	0.063	0.012	0.000	0.000	0.000	0.000	0.000	0.587	0.388	0.059	1	
16. Vicarious experience	0.22	0.28	2.48	0.222	0.127	0.170	0.309	-0.064	0.440	0.292	0.172	0.234	0.153	-0.247	0.042	0.029	0.131	0.029	1

No. of observations: 1,296.
Correlations above /0.055/ are significant at the 0.05 level.
Correlations above /0.073/ are significant at the 0.01 level.

Table 3 Mixed logistic regression results of location choice

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Hypotheses
Explanatory variable							
Prior international experience		**0.107** (0.050) *0.032*	**-0.162** (0.129) *0.209*	**-0.721** (0.432) *0.095*	**0.126** (0.057) *0.027*	**-0.767** (0.445) *0.085*	
Moderating variables							
High-level government visit		**0.467** (0.356) *0.189*	**0.003** (0.428) *0.994*	**0.465** (0.356) *0.191*	**0.463** (0.357) *0.194*	**0.073** (0.441) *0.869*	
Strategic partnership		**-0.019** (0.502) *0.970*	**-0.012** (0.503) *0.981*	**-0.566** (0.573) *0.324*	**-0.025** (0.504) *0.961*	**-0.414** (0.593) *0.486*	
BRI host country		**0.267** (0.579) *0.644*	**0.266** (0.580) *0.646*	**0.261** (0.579) *0.652*	**0.510** (0.718) *0.478*	**0.513** (0.742) *0.489*	
Interactions							
Prior international experience * High-level government visit			**0.419** (0.184) *0.022*			**0.347** (0.180) *0.054*	H1 (+) supported
Prior international experience * Strategic partnership				**0.861** (0.440) *0.050*		**0.702** (0.416) *0.092*	H2 (+) supported
Prior international experience * BRI host country					**-0.204** (0.282) *0.469*	**-0.221** (0.299) *0.461*	H3 (+) not supported
Control variables							
Chinese tourists	**0.413** (0.302) *0.172*	**0.288** (0.320) *0.369*	**0.370** (0.331) *0.264*	**0.313** (0.329) *0.341*	**0.286** (0.319) *0.370*	**0.374** (0.333) *0.262*	
Destination competitiveness	**0.707** (0.416) *0.089*	**0.845** (0.462) *0.067*	**0.780** (0.481) *0.105*	**0.839** (0.465) *0.071*	**0.841** (0.462) *0.069*	**0.770** (0.481) *0.109*	
Institutional distance	**-0.059** (0.122) *0.627*	**-0.095** (0.132) *0.471*	**-0.104** (0.136) *0.445*	**-0.102** (0.136) *0.451*	**-0.096** (0.132) *0.465*	**-0.111** (0.135) *0.411*	
Cultural distance	**0.363** (0.216) *0.092*	**0.320** (0.227) *0.159*	**0.372** (0.223) *0.096*	**0.331** (0.230) *0.149*	**0.321** (0.226) *0.156*	**0.374** (0.222) *0.092*	
Chinese migrants	**-0.203** (0.191) *0.287*	**-0.138** (0.168) *0.413*	**-0.143** (0.170) *0.402*	**-0.143** (0.166) *0.388*	**-0.136** (0.168) *0.418*	**-0.141** (0.166) *0.394*	
Visa requirements	**0.559** (0.707) *0.429*	**0.328** (0.744) *0.659*	**0.338** (0.740) *0.647*	**0.310** (0.749) *0.679*	**0.318** (0.746) *0.670*	**0.297** (0.754) *0.694*	
Firm size	**0.078** (0.046) *0.087*	**0.064** (0.044) *0.151*	**0.076** (0.047) *0.109*	**0.069** (0.045) *0.123*	**0.062** (0.045) *0.162*	**0.076** (0.048) *0.112*	
State ownership	**-0.243** (0.120) *0.043*	**-0.304** (0.130) *0.019*	**-0.326** (0.143) *0.022*	**-0.302** (0.132) *0.022*	**-0.300** (0.131) *0.022*	**-0.316** (0.144) *0.028*	
Home region development	**-2.154** (0.496)	**-1.849** (0.499)	**-1.907** (0.492)	**-1.905** (0.501)	**-1.839** (0.498)	**-1.930** (0.493)	

	0,000	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*	
	0.317	**0.293**	**0.301**	**0.295**	**0.289**	**0.297**	
Publicly traded	(0.143)	(0.126)	(0.129)	(0.127)	(0.125)	(0.130)	
	0.027	*0.020*	*0.020*	*0.021*	*0.021*	*0.022*	
	1.995	**1.823**	**1.761**	**1.793**	**1.827**	**1.747**	
Vicarious experience	(0.775)	(0.804)	(0.809)	(0.806)	(0.801)	(0.805)	
	0.010	*0.023*	*0.030*	*0.026*	*0.023*	*0.030*	
Quasi-likelihood under independence model criterion (QIC)	468.109	470.120	467.810	468.313	470.806	467.857	

No. of observations: 1,296.
Dependent variable: (1) firm *i* located in country *j* in year *t*; (0) otherwise.
Coefficients estimates bolded, standard errors in parentheses, *p*-values in italics.
Industry and year dummies are included but not shown.

Table 4 Mixed logistic regression results of location choice (Robustness checks)

	Experience (OFDI No.)		Experience (dummy)		Experience (years) & Visit (1-year lag)		Experience (OFDI No.) & Visit (1-year lag)		Experience (dummy) & Visit (1-year lag)	
	Model 3	Model 4	Model 3	Model 4	Model 3	Model 4	Model 3	Model 4	Model 3	Model 4
Explanatory variable										
Prior international experience	**0.554** (0.722) *0.443*	**-0.942** (1.656) *0.570*	**-0.735** (0.247) *0.003*	**-1.708** (0.568) *0.003*	**-0.186** (0.094) *0.049*	**-0.728** (0.427) *0.088*	**0.492** (0.547) *0.368*	**-0.977** (1.638) *0.551*	**-0.663** (0.280) *0.018*	**-1.726** (0.563) *0.002*
Moderating variables										
High-level government visit	**-0.027** (0.455) *0.953*	**0.458** (0.358) *0.200*	**-0.200** (0.411) *0.626*	**0.467** (0.357) *0.191*	**-0.022** (0.463) *0.961*	**0.605** (0.456) *0.185*	**-0.115** (0.489) *0.814*	**0.598** (0.460) *0.194*	**-0.093** (0.446) *0.835*	**0.606** (0.458) *0.186*
Strategic partnership	**-0.022** (0.504) *0.966*	**-0.575** (0.601) *0.338*	**-0.035** (0.503) *0.945*	**-0.705** (0.566) *0.212*	**-0.049** (0.502) *0.922*	**-0.609** (0.588) *0.300*	**-0.074** (0.503) *0.883*	**-0.620** (0.614) *0.313*	**-0.068** (0.501) *0.892*	**-0.745** (0.583) *0.201*
BRI host country	**0.315** (0.588) *0.592*	**0.296** (0.585) *0.613*	**0.246** (0.576) *0.669*	**0.265** (0.579) *0.647*	**0.434** (0.545) *0.426*	**0.354** (0.538) *0.511*	**0.487** (0.563) *0.387*	**0.387** (0.546) *0.478*	**0.393** (0.536) *0.464*	**0.356** (0.539) *0.509*
Interactions										
Prior international experience * High-level government visit	**1.472** (0.802) *0.066*		**1.351** (0.478) *0.005*		**0.563** (0.149) *0.000*		**2.168** (0.639) *0.001*		**1.380** (0.535) *0.010*	
Prior international experience * Strategic partnership		**2.518** (1.524) *0.098*		**1.958** (0.667) *0.003*		**0.870** (0.436) *0.046*		**2.551** (1.510) *0.091*		**1.979** (0.660) *0.003*
Control variables										
Chinese tourists	**0.355** (0.330) *0.282*	**0.294** (0.329) *0.372*	**0.334** (0.320) *0.297*	**0.305** (0.325) *0.348*	**0.329** (0.333) *0.322*	**0.286** (0.335) *0.393*	**0.325** (0.331) *0.327*	**0.267** (0.337) *0.428*	**0.290** (0.325) *0.371*	**0.278** (0.332) *0.402*
Destination competitiveness	**0.754** (0.486) *0.121*	**0.821** (0.470) *0.080*	**0.838** (0.470) *0.075*	**0.842** (0.464) *0.070*	**0.880** (0.478) *0.065*	**0.925** (0.466) *0.047*	**0.847** (0.490) *0.084*	**0.908** (0.473) *0.055*	**0.957** (0.467) *0.040*	**0.927** (0.466) *0.047*
	-0.091	**-0.093**	**-0.113**	**-0.098**	**-0.113**	**-0.112**	**-0.100**	**-0.103**	**-0.122**	**-0.108**

Institutional distance	(0.138)	(0.137)	(0.137)	(0.135)	(0.130)	(0.132)	(0.135)	(0.133)	(0.131)	(0.131)
	0.511	*0.497*	*0.410*	*0.466*	*0.385*	*0.395*	*0.457*	*0.438*	*0.351*	*0.409*
	0.359	**0.320**	**0.360**	**0.328**	**0.361**	**0.328**	**0.356**	**0.317**	**0.343**	**0.325**
Cultural distance	(0.232)	(0.233)	(0.231)	(0.229)	(0.218)	(0.230)	(0.224)	(0.233)	(0.227)	(0.230)
	0.122	*0.170*	*0.119*	*0.152*	*0.098*	*0.153*	*0.112*	*0.174*	*0.131*	*0.157*
	-0.147	**-0.144**	**-0.137**	**-0.142**	**-0.127**	**-0.129**	**-0.131**	**-0.129**	**-0.125**	**-0.128**
Chinese migrants	(0.171)	(0.166)	(0.169)	(0.167)	(0.163)	(0.155)	(0.165)	(0.156)	(0.159)	(0.155)
	0.389	*0.386*	*0.416*	*0.393*	*0.435*	*0.405*	*0.428*	*0.405*	*0.431*	*0.409*
	0.341	**0.312**	**0.329**	**0.320**	**0.283**	**0.287**	**0.270**	**0.289**	**0.301**	**0.299**
Visa requirements	(0.733)	(0.746)	(0.745)	(0.746)	(0.769)	(0.757)	(0.769)	(0.756)	(0.751)	(0.752)
	0.642	*0.675*	*0.658*	*0.668*	*0.713*	*0.705*	*0.725*	*0.702*	*0.689*	*0.691*
	0.027	**0.020**	**0.101**	**0.081**	**0.092**	**0.069**	**0.034**	**0.020**	**0.110**	**0.081**
Firm size	(0.043)	(0.040)	(0.048)	(0.046)	(0.051)	(0.045)	(0.046)	(0.040)	(0.052)	(0.046)
	0.526	*0.611*	*0.033*	*0.074*	*0.071*	*0.124*	*0.469*	*0.605*	*0.034*	*0.074*
	-0.342	**-0.320**	**-0.298**	**-0.265**	**-0.409**	**-0.306**	**-0.412**	**-0.323**	**-0.353**	**-0.269**
State ownership	(0.156)	(0.148)	(0.143)	(0.127)	(0.146)	(0.131)	(0.166)	(0.147)	(0.137)	(0.126)
	0.028	*0.031*	*0.037*	*0.037*	*0.005*	*0.020*	*0.013*	*0.028*	*0.010*	*0.033*
	-0.807	**-0.806**	**-2.159**	**-2.130**	**-1.967**	**-1.908**	**-0.805**	**-0.815**	**-2.194**	**-2.135**
Home region development	(0.313)	(0.310)	(0.540)	(0.540)	(0.520)	(0.508)	(0.335)	(0.312)	(0.581)	(0.547)
	0.010	*0.009*	*0.000*	*0.000*	*0.000*	*0.000*	*0.016*	*0.009*	*0.000*	*0.000*
	0.174	**0.168**	**0.343**	**0.332**	**0.331**	**0.296**	**0.194**	**0.170**	**0.348**	**0.334**
Publicly traded	(0.118)	(0.113)	(0.140)	(0.140)	(0.140)	(0.128)	(0.124)	(0.111)	(0.147)	(0.140)
	0.141	*0.137*	*0.014*	*0.017*	*0.018*	*0.020*	*0.119*	*0.126*	*0.018*	*0.017*
	1.888	**1.896**	**1.783**	**1.803**	**1.755**	**1.689**	**1.905**	**1.794**	**1.733**	**1.701**
Vicarious experience	(0.823)	(0.812)	(0.799)	(0.797)	(0.856)	(0.842)	(0.879)	(0.845)	(0.849)	(0.833)
	0.022	*0.019*	*0.026*	*0.024*	*0.041*	*0.045*	*0.030*	*0.034*	*0.041*	*0.041*
Quasi-likelihood under independence model criterion (QIC)	464.695	465.061	466.274	467.628	464.498	468.249	460.144	465.055	466.221	467.586

No. of observations: 1,296.
Dependent variable: (1) firm *i* located in country *j* in year *t*; (0) otherwise.
Coefficients estimates bolded, standard errors in parentheses, *p*-values in italics.
Industry and year dummies are included but not shown.

Figure 1 Conceptual model

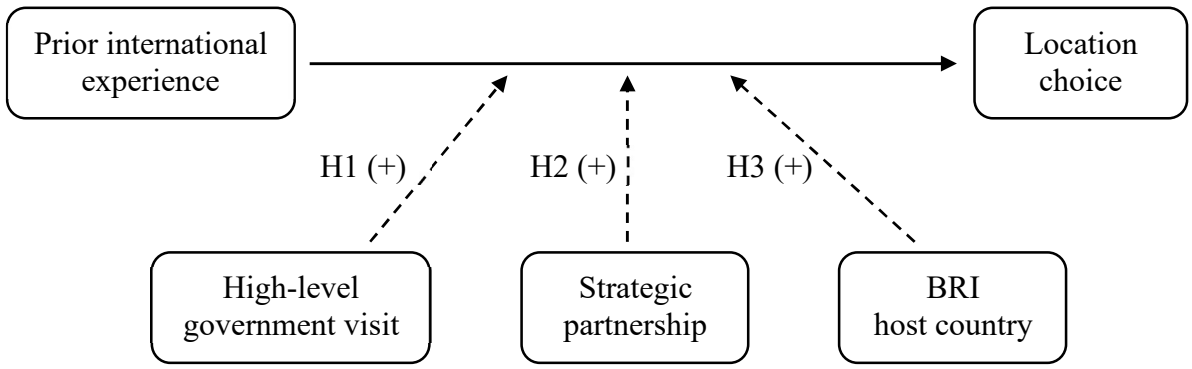

Figure 2 Moderating effect of high-level government visits on the relationship between prior international experience and location choice

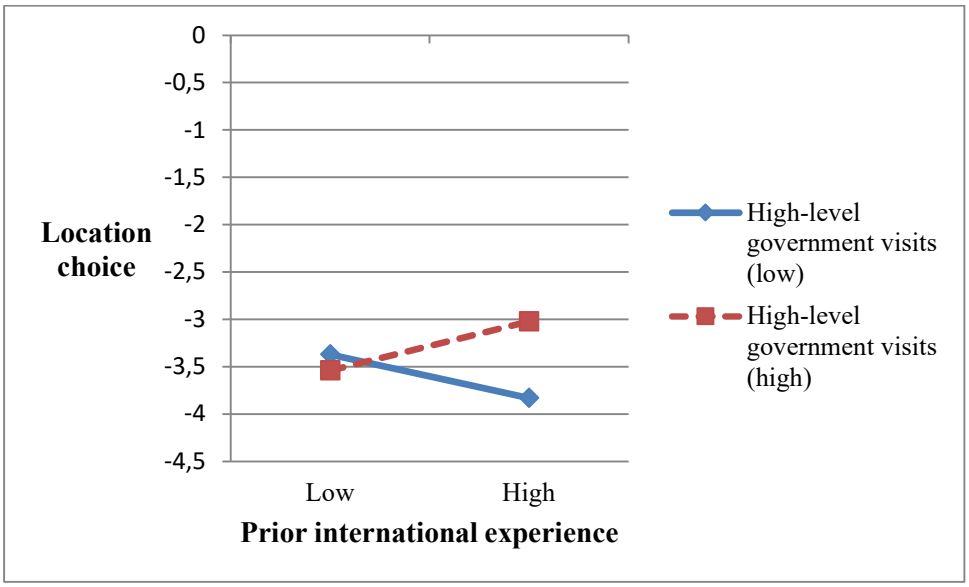

Figure 3 Moderating effect of strategic partnership on the relationship between prior international experience and location choice